

Analysis on the Correlation between Financial Assets Holding and Enterprise Value of Listed Companies

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Abstract. After entering the Internet era, the capital market has developed at a faster speed, among which the stock market has brought many retail investors into the capital market and injected new blood into the explosive development of the capital market. For the enterprise value that reflects the long-term sustainable development ability of enterprises, scholars have not conducted further in-depth analysis, and the R&D innovation and fixed assets investment of enterprises are probably only the transmission ways of financial assets holding on enterprise value. Therefore, by analyzing the influence of financial assets held by listed companies on enterprise value and its transmission mechanism, listed companies will consider the asset structure when investing in financial assets: if the investment rate of financial assets is high and the liquidity of assets is strong, enterprises can appropriately reduce the current financial assets and increase the physical assets, and can consider buying financial assets to increase the investment rate of financial assets. In such a big environment, enterprise managers can achieve an ideal asset ratio by studying the relevant influence mechanism, thus effectively improving investment efficiency and realizing the long-term stable development of listed companies.

Keywords: Listed companies, Financial asset holdings, Enterprise value, Correlation analysis

1. Introduction

Developed countries in Europe and America took the lead in entering the era of economic financialization in the 20th century, and the financial industry also became an important pillar of their economic development in the subsequent construction and development. Compared with other developed countries, in recent years, with the continuous intensification of global economic financialization, the trend of financialization of listed companies in China has become increasingly clear. After entering the Internet era, the capital market has developed at a faster speed, among which the stock market has brought many retail investors into the capital market and injected new blood into the explosive development of the capital market [1]. In this context, the enterprise's investment in financial assets gave birth to the asset bubble, squeezed out the investment in the main industry of the entity enterprise, and aggravated the phenomenon of "deviating from reality to emptiness". According to CSMAR statistics, the proportion of listed companies holding financial assets has reached about 80% in the lowest year, and even reached 91% in the highest year, and the scale of holding financial assets has increased year by year. On the contrary, the industrial investment rate continues to be low [2]. For the enterprise value that reflects the long-term sustainable development ability of enterprises, scholars have not conducted further in-depth analysis, and the R&D innovation and fixed assets investment of enterprises are probably only the transmission mode of financial assets holding on enterprise value [3]. Therefore, by analyzing the influence of financial asset holding on enterprise value and its transmission mechanism, this paper is helpful to further enrich and improve the relevant theories of economic consequences of financial asset holding in entity enterprises. The investment proportion of listed companies' financial assets is increasing year by year, and the proportion of profits and income obtained from it is also significant. Rational allocation of enterprise's asset structure is more direct and important to enhance enterprise value. As an intermediate mechanism of capital structure affecting enterprise value, without optimized asset holding, capital structure will lose the

support of value creation [4]. Therefore, the research on the relationship between enterprise asset structure and enterprise value from the perspective of financial assets of listed companies will help to better construct the relevant theories of asset structure. In such a big environment, enterprise managers can achieve an ideal asset ratio by studying the relevant influence mechanism, thus effectively improving investment efficiency and realizing the long-term steady development of listed companies [5].

2. The Relationship between the Holding of Financial Assets of Listed Companies and Their Enterprise Value

2.1 Promoting the enhancement of enterprise value

Listed companies can obtain profits and benefits from the financial industry and also leverage their cash reserve advantages to alleviate their financial pressure, enabling them to better cope with uncertain factors in future business management and poor business management caused by economic cycle fluctuations, effectively improving the effectiveness of asset holding management and comprehensive development strength, and achieving established strategic plans. The good relationship between listed companies and the government enables them to easily obtain bank credit, and the degree of financing constraints they face is relatively low[6]. Therefore, when state-owned enterprises have good investment opportunities, they can quickly obtain financing from external sources without the need for large-scale investment in financial assets to reserve liquidity. Listed companies have both social and economic goals, and expanding their business scale helps to provide more job opportunities[7]. Therefore, state-owned manufacturing listed companies are more inclined to invest in operating assets under the same investment scale, and their financial asset allocation ratio is lower than that of non-state-owned manufacturing listed companies [8]. Industrial capital is threatened by the increase in financial assets, and the physical investment rate is gradually decreasing. Enterprises are increasingly focusing on investing in financial assets with fast returns and high profits, leading to a shift in asset structure towards liquid assets, which disdains long-term investment assets. The concept of long-term investment is becoming increasingly diluted, and the result of this phenomenon is that the long-term development of enterprises is threatened. A reasonable ratio of internal financial assets to industrial assets can effectively reduce business risks, better respond to various uncertain factors in operational management activities, and enable enterprises to overcome difficulties and achieve greater returns[9]. The financialization industry carried out by enterprises based on the motivation of "reservoir" has improved the efficiency of fund utilization.

2.2 There is a non-linear relationship

With the development of the times, advanced information technology has accelerated the connection between countries, customers, and enterprises. Currently, enterprise asset holdings are mainly based on the real economy, while also relying on the modern media of financial markets to provide impetus for their own development. In order to avoid commodity price risk and Foreign exchange risk caused by market changes, non-financial enterprises often purchase a certain amount of financial derivatives to maintain and increase the value of funds [10]. When the company needs to raise funds, it will give priority to raising project funds from Retained earnings or by selling assets. Due to its strong liquidity and low adjustment costs, financial assets can be prioritized for sale to quickly obtain the necessary funds when the company faces financial difficulties, thus avoiding the difficulties and high costs of external financing [11]. Both the share of financial assets held and the investment amount of new financial assets have an inhibitory effect on the Total factor productivity of enterprises' operational business, but the manifestation of this inhibitory effect is different in different ownership enterprises. Specifically, in listed companies, the impact is relatively stronger, but the duration is shorter; In non listed companies, the impact is relatively weak, but the duration is relatively long. When listed companies invest in financial assets, they consider asset structure: if the

investment rate of financial assets is high and the asset liquidity is strong, the enterprise can appropriately reduce current financial assets and increase physical assets; If the liquidity of assets is poor, enterprises can consider purchasing financial assets to increase the investment rate of financial assets. At the same time, the overall improvement of corporate financial performance has a non-linear effect on market value. Many companies are eager to invest in the real estate industry, and investment real estate itself carries huge risks. Investment real estate beyond reasonable allocation increases the operational burden of enterprises.

3. Statistical analysis of financial assets and enterprise value of listed companies

3.1 Statistical analysis of financial assets holding and its enterprise value

The more and less financial assets, the lower the enterprise value, that is, the left side of the inverted U-shape, the lower the enterprise value, and the high profitability of financial assets attracts enterprises to invest, so they hold more financial assets and financial assets play a preventive saving motivation. As we all know, the development of the financial sector will have a certain impact on the overall economy, and these effects are the final result of many factors, including the impact of government intervention in the market and other factors such as changes in the market environment, which are highly uncertain. In this paper, all A-share companies listed in Shanghai and Shenzhen stock exchanges were screened in the decade from 2012 to 2022, and a total of 9190 observations were obtained, and the classified statistics of the annual ending balance of four types of financial assets, the total amount of financial assets and the ratio of financial assets to total assets were obtained. The trend of financial assets holding ratio of listed companies from 2012 to 2022 is shown in Figure 1.

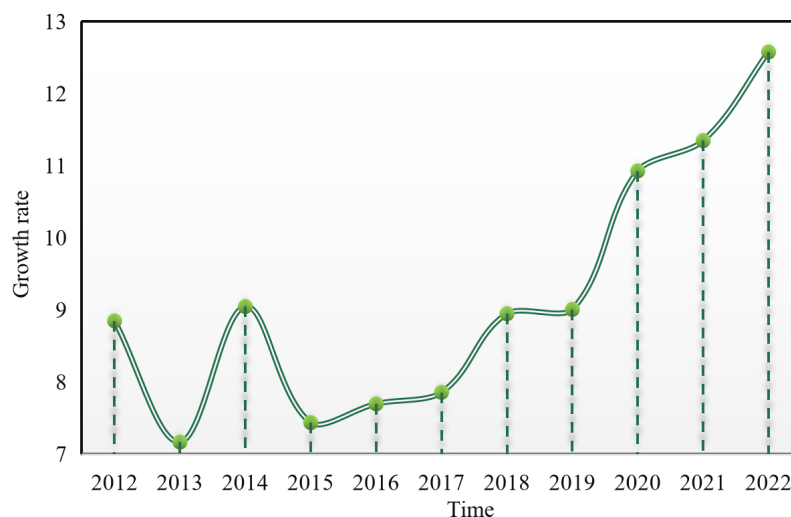


Figure 1 Trends in the proportion of financial assets held by listed companies from 2012 to 2022

The number of financial assets held by a listed company in China in the sample selected in this article has increased from 1582 in 2012 to 3568 in 2022, showing an overall upward trend. This reflects that investing in financial assets has gradually become a way of asset holding among listed companies. The longer the establishment period, the higher the value of the enterprise. Due to the impact of the 2015 financial crisis, the proportion of listed companies holding financial assets decreased from 67% in 2012 to 52% in 2015, reaching its lowest point and gradually increasing. In 2022, 92% of listed companies in China had already allocated financial assets. It is necessary for enterprises to pay attention to the composition of current assets at the same time. The more current assets in total assets, the more fixed assets such as equipment and factory buildings may squeeze the

proportion of total assets, affecting the daily operation of the enterprise, and thus damaging the value of the enterprise.

3.2 Statistical Analysis of the Ratio of Financial Assets to Enterprise Value of Listed Companies

With the development of society, the external market environment has undergone significant changes, and the original production, operation, and business forms of physical enterprises have undergone significant changes. As a result, the internal financial investment activities of enterprises have increased. For enterprises, the source of profit income has also shifted from a single production and trade business to financial investment activities, obtaining more profits through various investment activities, and achieving the goal of improving the economic benefits of enterprises. From the perspective of average holdings of financial assets, state-owned listed financial companies generally hold more assets than non-state-owned companies. This is because state-owned enterprises have a larger overall company size and a larger total asset size. From the perspective of stock, financial assets are correspondingly higher than non-state-owned manufacturing listed companies. Average holdings of state-owned financial assets (A), average holdings of non-state-owned financial assets (B), average financialization of state-owned assets (C), and average financialization of non-state-owned assets (D). The trend of changes in asset holdings of listed financial companies with different holding properties is shown in Figure 2.

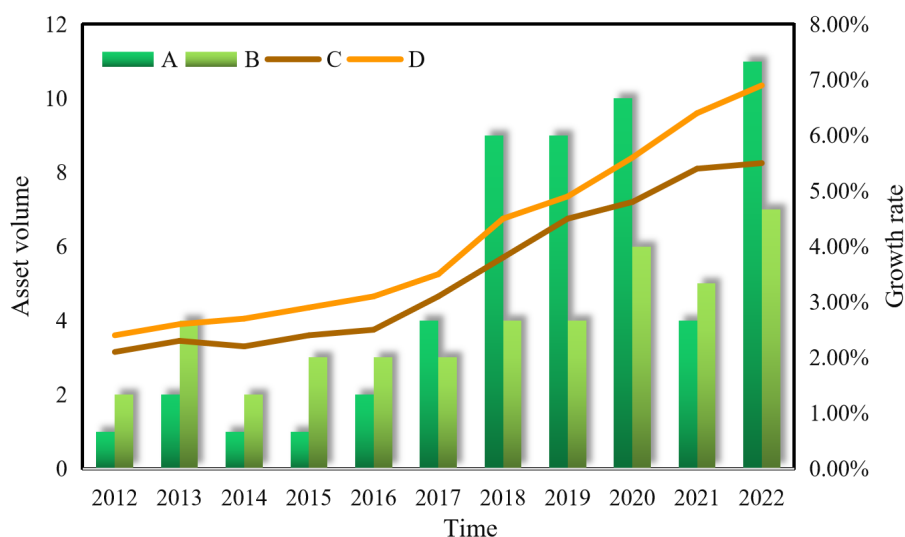


Figure 2 Trends in Asset Holdings of Listed Financial Companies with Different Holding Properties

As for the reason for this difference, compared with other assets, financial assets have the characteristics of higher risk and uncertain return rate. Compared with non-state-owned enterprises, managers of state-owned enterprises are more Risk aversion, and pursue more certain returns to ensure their own job stability and salary growth. Therefore, they are more cautious when facing investment decisions, and have less preference for financial assets than non-state-owned enterprises. Enterprises are not satisfied with short-term low returns and begin investing in financial assets with lower liquidity but higher returns, resulting in a decrease in liquidity. When the degree of enterprise financialization is within a reasonable range, the turnover rate of current assets is the highest, which not only increases the utilization rate of current assets, but also promotes internal management and improves asset structure. Due to the unique nature of state-owned enterprises, government support makes it easier for them to obtain external financing such as bank credit, and the degree of financing constraints they face is lower than non-state-owned enterprises. Therefore, state-owned manufacturing listed companies do not need to invest a large amount of financial assets as internal financing reserves.

4. Conclusions

This paper makes a further study on the correlation analysis between the financial assets held by listed companies and their enterprise values. The abundant resources of listed companies and foreign-funded enterprises are conducive to enterprises to play the role of financial reservoir and crowding out, while private and public enterprises have stronger speculative arbitrage motives for financialization due to lack of resources, which damages the value of enterprises. When the degree of financialization of an enterprise is at a low level, financial investment and industrial investment can play a complementary role, which can promote the financial industry to better serve the real economy, play a benign supporting role, and comprehensively enhance the creativity and intrinsic value of the enterprise. The optimal financialization level of listed companies can optimize the enterprise asset structure, and the enterprise asset structure plays an intermediary role between enterprise financialization and enterprise value. Through empirical research, it is found that listed companies in China allocate financial assets more out of financing constraints, and under financing constraints, investment in financial assets by manufacturing listed companies is helpful to alleviate financing constraints and improve company value. However, there is no significant correlation between the proportion of financial assets allocation and company value under the motivation of market arbitrage, which shows that listed companies do not allocate financial assets out of market arbitrage. Continuously optimize the ownership structure in the process of operation, and enhance the initiative of internal personnel to participate in corporate governance; At the macro level, while guiding the development of the financial industry, we should also stimulate the innovation of the economic value of enterprises and comprehensively enhance their comprehensive strength.

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